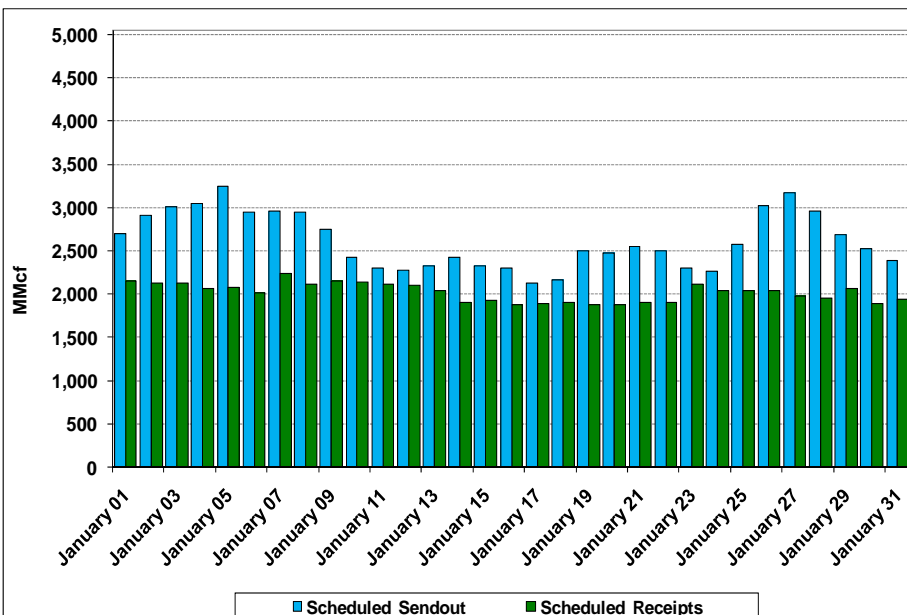




Monthly Natural Gas Report

Prepared by California Energy Commission Staff
Electricity Supply Analysis Division – Electricity Analysis Office
January 2009 – Issue # 4

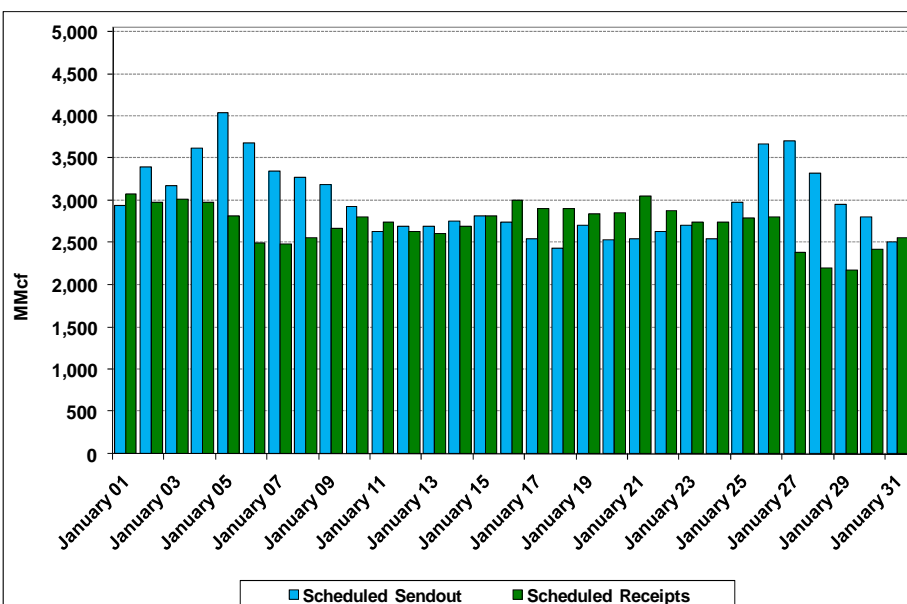
PG&E's Natural Gas Receipts and Deliveries



Chilly Arctic air swept down from Canada into California in the second and fifth weeks of January, plunging temperatures below 40 ° F. in most Bay Area communities and below 30 ° F. in the Sacramento and San Joaquin valleys. This amplified demand for natural gas to fuel furnaces and other space heating equipment. Pacific Gas and Electric Co. increased natural gas sendouts to satisfy this demand, peaking January 5 at 3,245 and January 27 at 3,172 million cubic feet (MMcf). PG&E receipts for January, charted in green, averaged 2,019 million cubic feet per day (MMcf/d), while scheduled sendouts, charted in light blue, averaged 2,616 MMcf/d. As a result, PG&E depleted its inventories by 18,519 MMcf.

Prepared by CEC Staff 2/03/2009

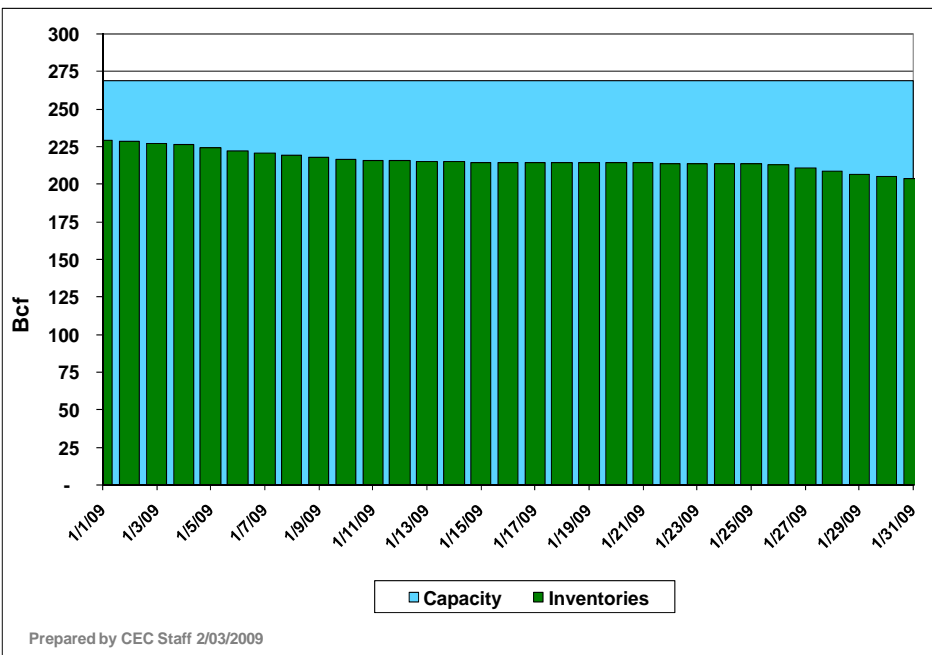
SoCalGas' Natural Gas Receipts and Deliveries



The same early and late January Arctic cold snaps also prompted Southern California Gas Co. to meet spiking demand for natural gas to fuel furnaces and other space heating equipment; but as expected from Arctic cold fronts, temperatures in Southern California did not fall as much as they did in the north. Consequently, sendouts peaked January 5 at 4,035 and January 27 at 3,710 MMcf. SoCalGas receipts for January, charted in green, averaged 2,728 MMcf/d, while scheduled sendouts, charted in light blue, averaged 2,983 MMcf/d. As a result, SoCalGas depleted its inventories by 7,909 MMcf.

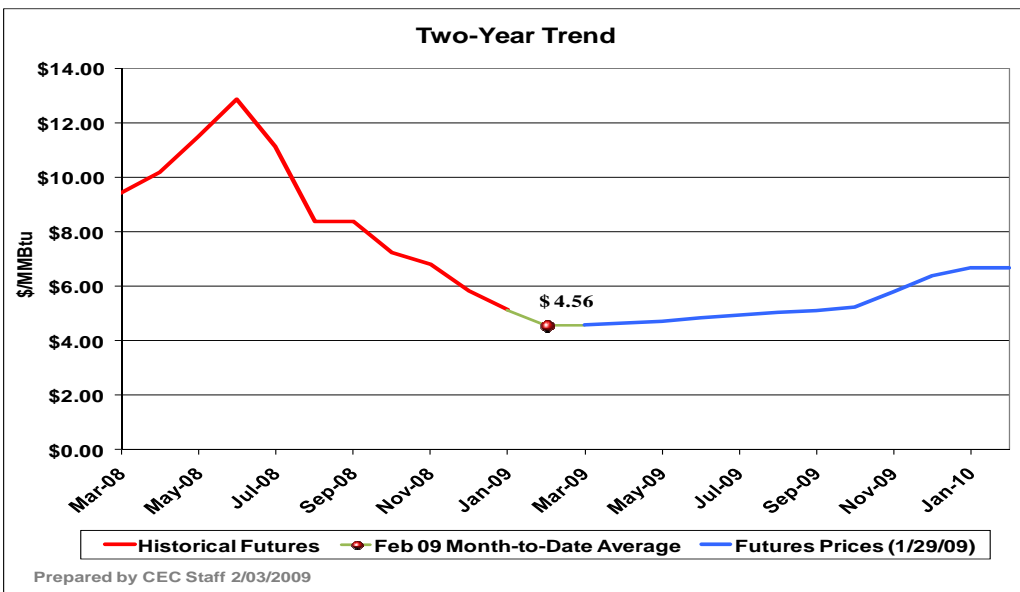
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California Daily Storage Inventories



Consistent with the early and late January cold snaps, daily natural gas inventories, charted in green, fell sharply twice last month as the natural gas utilities depleted gas in storage to meet space heating demand. As noted in previous issues of this report, the natural gas utilities pursue a policy of maximizing these inventories during the milder spring and summer months, when natural gas prices are usually lower, in order to have them available to meet the high winter demand typified last December.

Historical & Futures Settlement Prices



Henry Hub January Average Futures Prices

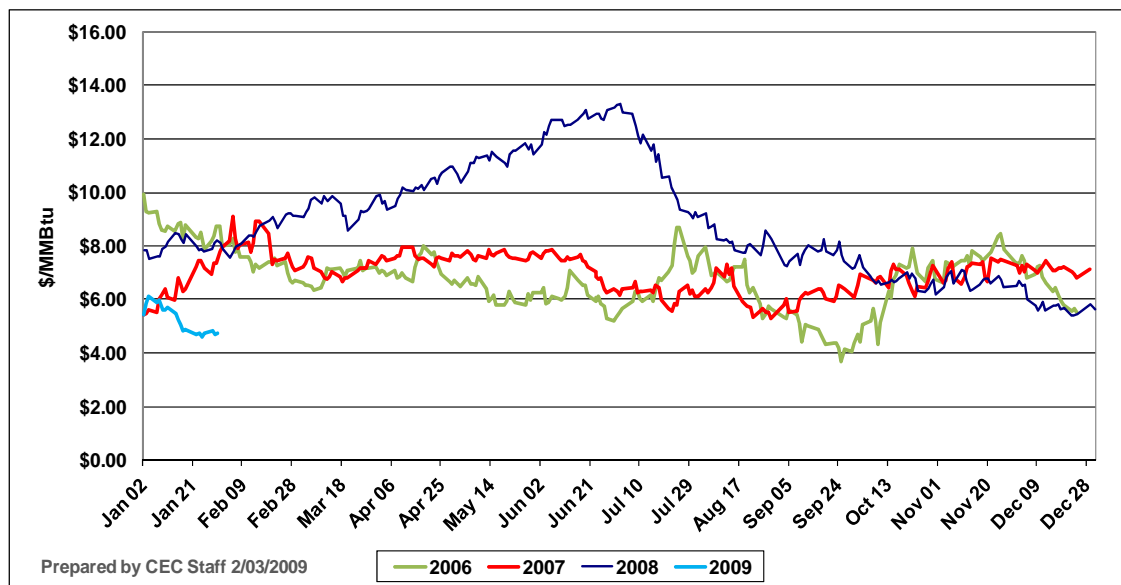
Jan	\$	Jan	\$
2	\$5.97	16	\$4.80
5	\$6.07	20	\$4.64
6	\$5.98	21	\$4.78
7	\$5.87	22	\$4.68
8	\$5.58	23	\$4.52
9	\$5.52	26	\$4.49
12	\$5.54	27	\$4.50
13	\$5.18	28	\$4.48
14	\$4.97	29	\$4.58
15	\$4.84	30	\$4.42

January Daily Average	\$ 5.07
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The January Daily Average is the non-weighted average of natural gas futures prices at the close of each day.

The average monthly price history for natural gas futures traded on the New York Mercantile Exchange (NYMEX), futures which are standardized for delivery to Henry Hub, Louisiana, and are charted in red, peaked June 2008 at \$12.87/MMBtu, and then began a seven-month fall to the February 2009 month-to-date average price of \$4.56/MMBtu, charted in green. This is \$0.51 off the January 2009 daily average price of \$5.07. Prices for futures contracts traded January 29, 2009, and expiring through February 2010, charted in blue, suggest that traders expect futures prices to regain more than two dollars over the next twelve months.

Henry Hub, Louisiana, Daily Spot Price

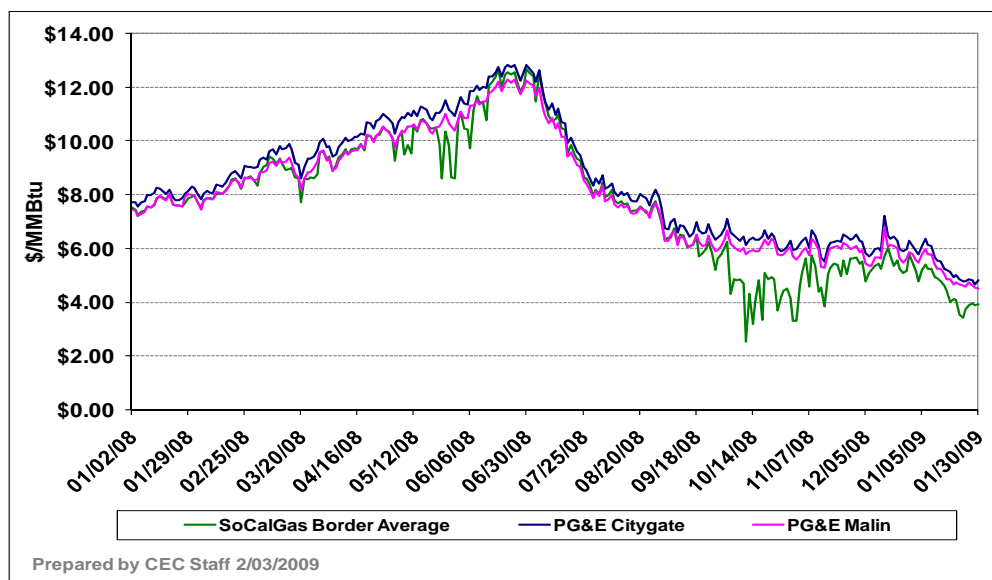


Daily Data

Jan	Henry Hub
2	5.41
5	5.83
6	6.10
7	5.89
8	5.96
9	5.60
12	5.59
13	5.70
14	5.47
15	5.26
16	5.09
20	4.86
21	4.87
22	4.72
23	4.75
26	4.62
27	4.75
28	4.84
29	4.71
30	4.77

As charted in light blue, Henry Hub daily spot prices in January 2009 averaged \$5.24, continuing their slide from the July 2, 2008, annual peak of \$13.31/MMBtu and the December 2008 average of \$5.83/MMBtu. For comparison, 2007 and 2008 spot prices for the month of January averaged \$6.54/MMBtu and \$7.99/MMBtu, respectively. As noted in the December issue of this report, demand destruction, caused by the deepening economic recession, and increased domestic natural gas supplies are largely responsible for these declining price trends. These factors in 2008 reversed the typical seasonal pattern of higher demand for natural gas to fuel furnaces and other space heaters, boosting winter prices higher than prices in the spring and summer. Spot prices for 2006 and 2007, charted in green and red respectively, illustrate the typical seasonal pattern.

Natural Gas Daily Spot Prices

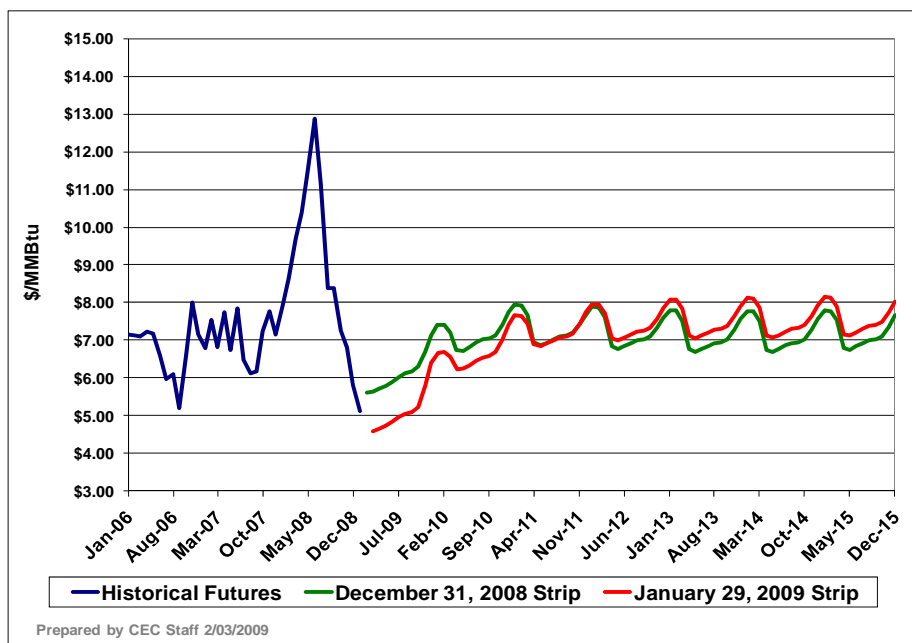


Daily Data

Jan	Topock	PG&E Citygate	PG&E Malin
2	4.75	5.78	5.47
5	5.19	6.09	5.76
6	5.40	6.36	5.97
7	5.22	6.12	5.77
8	5.22	6.11	5.76
9	4.93	5.68	5.37
12	4.86	5.55	5.21
13	4.78	5.51	5.23
14	4.59	5.24	5.01
15	4.43	5.21	4.83
16	3.99	5.12	4.85
20	4.10	4.92	4.65
21	4.06	4.99	4.71
22	3.53	4.87	4.62
23	3.41	4.79	4.60
26	3.70	4.77	4.57
27	3.85	4.87	4.70
28	3.93	4.81	4.60
29	3.88	4.66	4.51
30	3.90	4.82	4.48

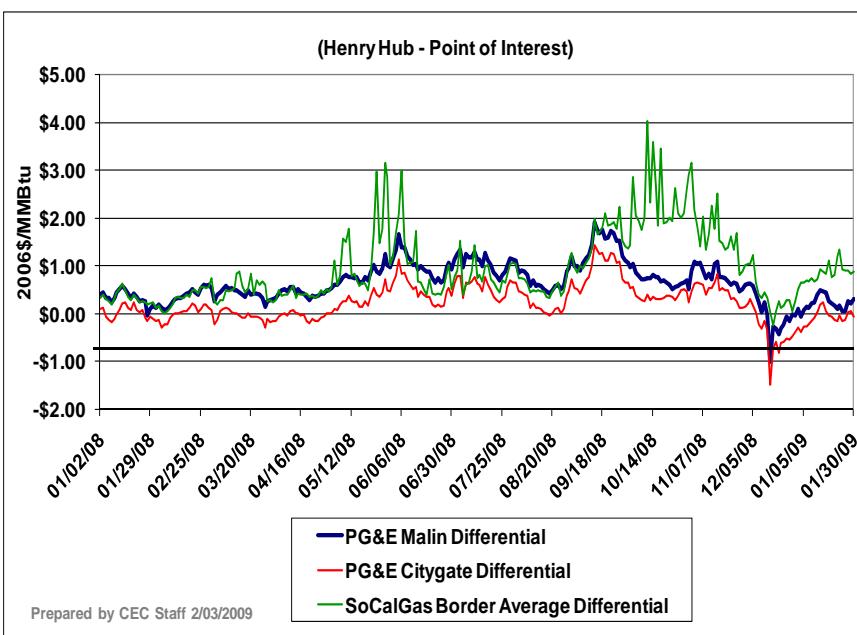
Spot prices for natural gas delivered to California's major pricing points resumed the slide that began last summer. This can be attributed to a warmer-than-normal winter in California, combined with the effects of the global recession and increased domestic natural gas supplies. January 2009 prices fell throughout the month. At the PG&E Citygate, charted in indigo, prices fell \$0.96/MMBtu; at the Malin point, charted in pink, prices dropped \$0.99/MMBtu. High linepack restrictions on some natural gas pipelines across the southwestern United States drove SoCalGas Border Average prices, charted in green, down to a monthly low of \$3.41/MMBtu on January 23, before recovering to just under \$4.00/MMBtu.

Historical & Forward NYMEX Natural Gas Settlement Prices



Prices for futures strips traded on the NYMEX January 29, 2009, as charted in red, averaged \$7.05/MMBtu, a small improvement over the December 31, 2008, average strip price of \$6.96/MMBtu, charted in green. Common to most futures strips traded since September 2008, including these two, is the belief among traders that seasonally adjusted prices in 2010 will be higher than prices this year, and that seasonally adjusted prices beyond the summer of 2010 will remain flat. Note, however, that the January 29 strip of contracts sold for less than the December 31 strip until the October 2011 contract, beyond which the January 29 strip sold for more.

Basis Differentials from Spot Prices at Henry Hub, Louisiana



All three basis differentials recovered from the December plunge that was widely attributed by analysts to a severe cold snap that hit the West first, and then spread across the heavily populated areas of the Northeast U.S. about two days later. A detailed discussion of the cold snap is provided in the December 2008 issue of this report. The PG&E Malin and Citygate basis differentials, charted respectively in indigo and red, remained close to zero throughout January; that is, natural gas on the spot market for delivery to these two pricing points traded at about the same price as natural gas traded at Henry Hub, Louisiana. SoCalGas Border Average basis differentials resumed discounts over the Henry Hub price that began September 2008. January basis differentials ranged from \$0.64/MMBtu to \$1.34/MMBtu. Again, high linepack restrictions on southwestern U.S. natural gas pipelines account for much of this trend.

Source Data:

www.pge.com • <http://www.nymex.com> • <https://ejenvoy.sempira.com> • <https://www.theice.com>

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